

ACTD Funding Requirements (Rev E) (Cash & In-Kind funding)

February 7, 2005

Proper funding of Advanced Concept Technology Demonstrations (ACTDs) is a critical component for successful program execution. Both the Implementation Directive (ID) and Management Plan (MP) require a “break-out” of resources. Historically, OSD has provided 15-20% of the total funding, which included both “cash” and “in-kind” resources. In the past, ACTD participants have been asked to segregate the cash from the in-kind funding, but a clear definition and written guidance has not been formally stipulated. The purpose of this memo is to provide interim guidance for use in preparing funding tables for the Breakfast Club, ID, and MP. AS&C will provide formal guidance in an update to the Manager’s Guide for ACTDs.

It is the goal of AS&C to provide approximately 20% of the total funding and no more than 30% of the actual cash funding for any particular ACTD (not including coalition partners). In addition, properly spreading the resources is a critical element of the program. AS&C resources should be spread across the life of the project, with no more than half of its funding requested in the first two years. At the discretion of the DUSD (AS&C) these metrics may be waived, but it should be the exception and considered only on a case by case basis. See the table in this memo for an example of a “properly proportioned” ACTD and the level of detail AS&C expects to see for ACTD projects. The following definitions will help determine the type of funding (Cash vs. Dedicated in-kind) being considered to support a specific ACTD:

There are only two types of funding which should be used when formulating the ACTD resource table which is displayed in the BC, ID and MP, **Cash** and **Dedicated In-Kind** (DINK) funding.

- **CASH**: Funding that can be traced to a Service or Agency Budget at a Program Element (PE) and project level detail. This funding is uniquely tied directly to the support of the ACTD and is usually “new funding” required for the ACTD. POM action or a reprogramming of resources is usually required to establish “cash” funding.
- **Dedicated In-Kind (DINK)**: Resources (materials or personnel) that were/are being purchased or are being utilized for other fully justified programs, but are also being uniquely and directly used for the ACTD program. Without this “in-kind” asset, the ACTD project would have to purchase the resources in order to conduct a successful demonstration (i.e., these assets are part of the critical path of the project). This “leveraged” relationship should be measurable and appropriately costed---allocating only the portion of costs directly and uniquely associated with the ACTD. A detailed financial analysis may be required to justify the “in-kind” funding being identified.

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ACTD Funding Example: Suppose an ACTD has been approved which will develop a new sensor to be used on an Unmanned Aerial Vehicle (UAV).

- **Cash Funding**: Hardware, software, and manpower programmed specifically for the sensor for use as part of the ACTD development, demonstration, or residual period. For new starts, existing resources may need to be internally realigned or a POM issue generated.
- **Dedicated In-Kind (DINK)**: Two examples are provided:
 - RDT&E previously completed on the sensor which is being modified/miniaturized for use in another program but is required for the ACTD in question (part of the critical path).
 - The hourly cost of flying the UAV in support of the ACTD. The flight hours may only be considered “cash” if new or additional resources are required for the flight time, however if the UAV flight hours are “mission funded” –that is, already budgeted--then this cost would be considered “in-kind”).

Questions can arise regarding whether a funding source is actually cash or in-kind. The following test questions can be helpful in determining if funding is “cash.”

1. **If the ACTD is terminated, what happens to the resources identified with that program?** If the assets can be transferred to another project or a reprogramming action is required by the Service/Defense Agency, then the resources are probably “cash.” Otherwise they are “in-kind.”
2. **Can the funding be shifted from one year to the next to accommodate ACTD schedule or scope of work changes?** If so, the funding would probably be considered “cash.”
3. **Can unfunded requirements be identified and properly resourced to augment the originally identified ACTD funding?** If so, then this might indicate the original resources are “cash,” though their association with the ACTD may still need further clarification.

The following table provides a format and example of what DUSD (AS&C) requires in all funding displays (Breakfast Club, Implementation Directives, and Management Plans). A graphic of this table is provided on the next page.

SAMPLE ACTD Funding Chart					(Dollars in Thousands)				
Organization	Type of Funding	¹ Funding Description	² Program Element (PE)	Project #	FY-03	FY-04	FY-05	FY-06	Total
USN/ONR	RDT&E/6.2	Cash	0602123N	N/A	\$1,000	1,000	\$3,000	\$3,000	\$8,000
USMC/MCWL	RDT&E/6.3	DINK	N/A	N/A	\$1,000	\$500	\$1,000	\$500	\$3,000
USMC/MCWL	RDT&E/6.3	Cash	0603640M	N/A		\$500	\$500	\$500	\$1,500
USAF/ACC	O&M	DINK	TBD	FlightHrs	\$700	\$700	\$700	\$700	\$2,800
USAF/ACC	RDT&E	Cash	0603401F	5021	\$1,000	\$1,000	\$3,000	\$3,000	\$8,000
USA/JPSD	RDT&E	Cash	0603002A	800		\$2,000	\$4,000	\$2,000	\$8,000
NIMA	RDT&E/6.3	Cash	0305102BQ	TBD	\$1,000	\$2,000	\$3,000	\$1,000	\$7,000
DTRA	RDT&E/6.3	Cash	0602715BR	BF	\$1,000	\$2,000	\$3,000	\$1,000	\$7,000
Total Service & Defense Agency					\$5,700	\$9,700	\$18,200	\$11,700	\$45,300
DUSD (AS&C)	RDT&E/6.3	Cash	0603750D8Z	523	\$3,200	\$2,500	\$2,100	\$3,000	\$10,800
Total:					\$8,900	\$12,200	\$20,300	\$14,700	\$56,100
							AS&C Percent Total:		19%
							AS&C Percent Cash:		22%

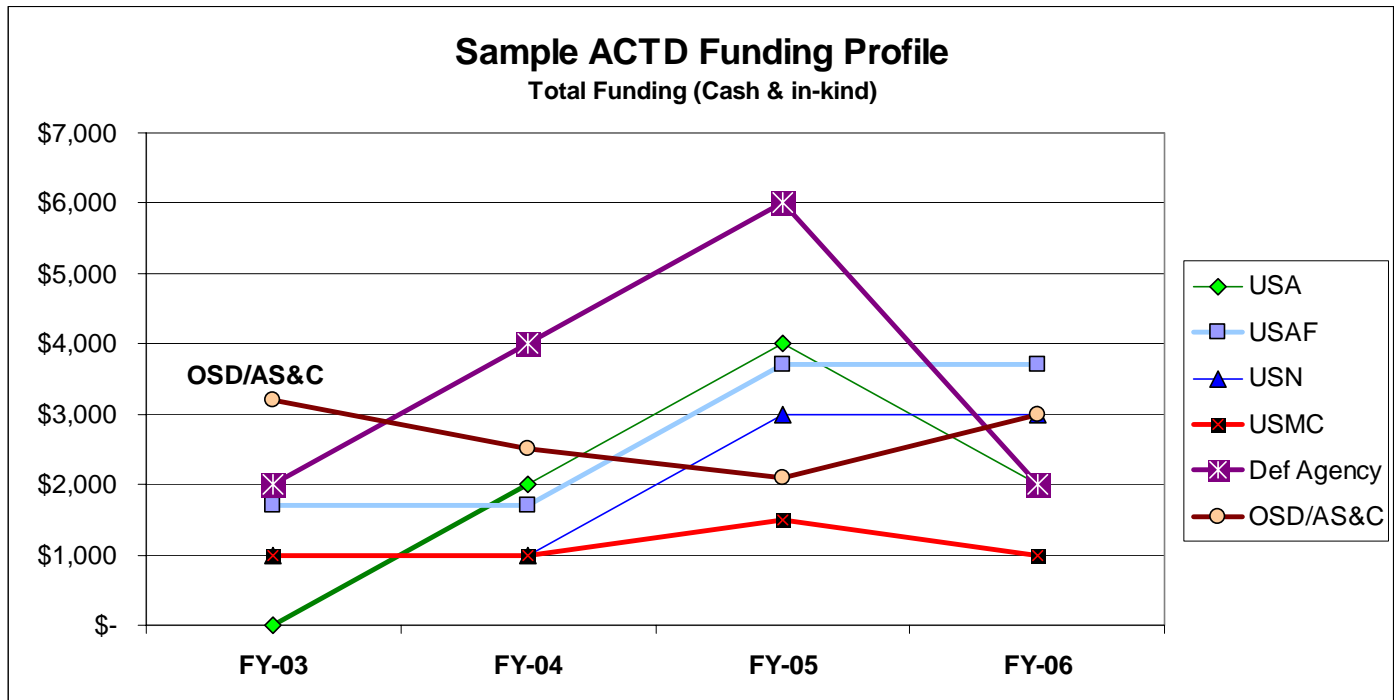
(1) DINK = Dedicated In-kind funding. A PE is only required for DINK funding when the item(s) have not already been purchased.

(2) Special Instructions regarding the “Commitment of Resources” for Breakfast Club and JROC deliberations:

It is recognized that as an ACTD candidate is being prepared, many of these financial elements will not yet be fully identified. Use “TBD” when warranted for Breakfast Club (BC) or JROC deliberations until final commitments can be determined. For these deliberations, use the one of the columns above (e.g., the Project or Program Element column) to clearly identify if the funding has been “committed,” “TBD,” or is specifically “uncommitted” by the Service/Defense Agency. “Committed” is defined as having flag/SES or Service “Planner” level approval of the funding identified. Uncommitted means the Component has specifically stated it will not provide resources, “TBD” means a decision between “Committed” and “Uncommitted” has not been made. By the time the JROC is held (and the ID is routed), the funding should be committed and the appropriate Program Element entered into the spreadsheet. *Important Note (new to revision “E” of this memo): Funding represented in these tables is AFTER all taxes and other reductions have been taken---i.e., these should be “core” dollars. It is important for Joint Programs to have the full resources committed in the ACTD, avoiding the annual tax and various reductions that Components*

sometimes place on their ACTD commitments. These taxes can severely stress the ACTD, sometimes creating unexecutable project. OSD will not allow a partner to unilaterally pull resources out of an ACTD once they have been committed. Resource adjustments require DUSD (AS&C) approval, normally through an Oversight Review Group (ORG).

The chart below shows a graphic of a properly proportioned ACTD referred to earlier. Please especially note the OSD (AS&C) curve.



If you have questions, please discuss them with your Executive Oversight Manager or call the DUSD (AS&C) Plans, Programs, Resource office POCs: Trey Carson (703) 693-0459 or Mark Peterson: (703) 695-7937.